

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 SCEM-02 INT-08

RSR-01 /165 W

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P 112108 Z MAY 73

FM AMEMBASSY CARACAS

TO AMEMBASSY MEXICO PRIORITY

SECSTATE WASHDC PRIORITY 9790

LIMITED OFFICIAL USE CARACAS 4058

EO 11652: NA

TAGS: EGEN ENRG VE

SUBJECT: PRESIDENT DISCUSSES STATE OF ECONOMY

FOR SECSTATE, MEXICO

1. IN RESPONSE TO CRITICISM MADE BY FEDECAMARAS
(FEDERATION OF CHAMBERS OF COMMERCE) CONVENTION HELD
AT BARQUISIMETO THIS WEEK CONCERNING GOVERNMENT ECONOMIC
POLICY, PRESIDENT CALDERA INCLUDED IN WEEKLY PRESS
CONFERENCE MAY 10 FOLLOWING COMMENTS (SUMMARIZED) DESIGNED
TO SHOW ECONOMY RELATIVELY HEALTHY:

2. PETROLEUM: IN PAST YEAR THERE WAS SOME CONCERN
ABOUT DECLINE IN PETROLEUM PRODUCTION, IN LIGHT OF
NATIONALISTIC MEASURES ADOPTED BY GOVERNMENT. NEVER-
THELESS FROM DECEMBER UNTIL APRIL 11, THE AVERAGE
DAILY PRODUCTION WAS 3,300, 264 BARRELS COMPARED TO
3,074,980 BARRELS FOR SAME PERIOD ONE YEAR EARLIER. AT SAME
TIME THERE HAVE BEEN INCREASES IN PRICES RECEIVED FOR
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PETROLEUM, THE MOST RECENT ADJUSTMENT DUE TO DOLLAR DEVALUATION.

3. IRON: WHILE 1972 WAS A BAD YEAR FOR IRON PRODUCTION JANUARY THROUGH MARCH OF THIS YEAR 3,967,896 METRIC TONS WERE PRODUCED COMPARED TO 2,888,748 TONS FOR SAME PERIOD LAST YEAR AN INCREASE OF 34.1 O/ O. BESIDES THERE HAS BEEN PRICE INCREASE OF BS. 1.12 PER TON.

4. LIQUIDITY: ACCORDING TO CENTRAL BANK LIQUIDITY HAS INCREASED ONLY 0.2 O/ O; MONEY IN HANDS OF PUBLIC DECREASED BS 348 MILLION AND QUASI MONEY BS 382 MILLION.

5. COST OF LIVING: WHILE SOME ITEMS HAVE INCREASED IN PRICE, THE LEVEL OF ALL COMPONENTS WHICH CONSTITUTE COST OF LIVING HAS BEEN SATISFACTORY AND REASONABLE.

6. BANKS: COMMERCIAL BANKS HAVE CONTINUED PROSPERING WITH AN INCREASE IN DEPOSITS FOR FIRST TRIMESTER INCREASED 3 O/ O OR 12 O/ O ANNUALLY. PLACEMENTS BY BANKS FOR TRIMESTER REACHED 4.4 O/ O OR ANNUAL RATE 17.6 O/ O.

7. PUBLIC DEBT: FIRST THREE MONTHS 1973 PUBLIC DEBT INCREASED ONLY BS 65 MILLION TO BS 7,022 MILLION. HOWEVER EXTERNAL PUBLIC DEBT DECREASED FROM BS 4,099 TO BS 4,057. FACT THAT INTERNAL DEBT INCREASED SLIGHTLY WHILE EXTERNAL DECREASED INDICATES GREATER CONFIDENCE IN DOMESTIC ECONOMY AND LESS DEPENDENCE ON INTERNATIONAL PRODUCTION.

8. COMMENT: FACT THAT CALDERA FELT COMPELLED TO DEFEND STATE OF ECONOMY UNDER HIS ADMINISTRATION SEEMS TO INDICATE THAT CRITICISM OF FEDECAMARAS HIT SENSITIVE NERVE WHEN IT CRITICIZED GOVERNMENT RE ENTRY ANDEAN PACT, INSTALLATION NEW TARIFF SYSTEM AND LEVEL OF PUBLIC INVESTMENT.
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